

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 124520

O 061732Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 5470

S E C R E T SECTION 01 OF 02 BONN 00193

(C O R R E C T E D C O P Y) PARA 2 LINE 8

EXDIS

DEPARTMENT PASS TO LEVINSON, SENATE COMMITTEE ON
FOREIGN RELATIONS FROM BLUM.

E.O. 11652: XGDS-4

TAGS: MASS, GW

SUBJECT: ARMS SALES IN GERMANY

1. ON ARRIVAL YESTERDAY WE MET WITH HERR RATH FOR FIVE
AND ONE-HALF HOURS. THE MEETING OPENED WITH RATH
NOTING THAT HE HAD BEEN CALLED BY SPIEGEL AND STERN
AND GERMAN TELEVISION ABOUT OUR VISIT. IN VIEW OF
THESE COMMENTS IT IS IMPERATIVE THAT NOTHING BE GIVEN
TO MEMBERS OF THE EUROPEAN PRESS CORPS ABOUT OUR
PLANS.

2. HERR RATH GAVE US THE TEXT OF A MEMORANDUM OF CON-
VERSATION WITH PAUL WHITE. HERR RATH RECEIVED THE
STATEMENT ON A CONFIDENTIAL BASIS AND HAS ASKED THAT
THE CONFIDENTIALITY BE RESPECTED. BAUER WAS PRESENT
DURING THE MEETING WITH WHITE. THE TRANSLATION OF THE
TEXT FOLLOWS:

RE: CONVERSATION PUBLIC PROSECUTOR RATH/EMPLOYEE
FROEMSDORF WITH PAUL WHITE ON 21 JUNE 1966.

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IN THE COURSE OF THE CONVERSATION WITH MR. PAUL WHITE

ON 21 JUNE 1966 HE STATED AMONGST OTHER THINGS THAT HE HAD BEEN EMPLOYED MANY YEARS AT LOCKHEED IN INTERNATIONAL SALES AND THAT HE WAS EXACTLY FAMILIAR WITH THE COMPANY'S BUSINESS PRACTICES. UNTIL THEN THE COMPANY HAD NEVER MADE ANY SUBSTANTIAL PAYMENTS (EXCEPT FOR HOSPITALITY FUNCTIONS, ETC.) DIRECTLY. ON THE OTHER HAND, HOWEVER, IT IS OBVIOUS THAT CERTAIN TRANSACTIONS COULD NOT BE EXECUTED WITHOUT SPECIAL PAYMENTS/GRATUITIES. THUS, IF PAYMENTS OF THIS TYPE WERE NECESSARY, IT WAS LOCKHEED'S PRACTICE TO FIND A PARTICULARLY SMART REPRESENTATIVE IN THAT COUNTRY, WHO WOULD TRANSMIT THE RIGHT AMOUNT AT THE RIGHT MOMENT TO THE RIGHT MAN. WITHOUT OBSERVING THESE PREREQUISITES IT WOULD E.G. BE IMPOSSIBLE TO CONCLUDE ANY CONTRACTS/TRANSACTIONS IN SOUTH AMERICA. THEREFORE, LOCKHEED COMPANY HAD ALWAYS TAKEN PARTICULAR CARE IN SELECTING ITS REPRESENTATIVES.

THE GREATEST AMOUNT EVER PAID BY LOCKHEED TO A REPRESENTATIVE WAS THAT IN THE F-104 TRANSACTION. ALL PAYMENTS, WHICH IN THEIR TOTAL WOULD COME TO THREE - FOUR MILLION DOLLARS, SHOULD BE REFLECTED IN THE BOOKS OF LOCKHEED AND OF ITS AFFILIATES/SUBSIDIARIES. THE LOCKHEED REPRESENTATIVE WAS FRANK-FAHLE WHO HAD ALSO ALREADY BEEN INCLUDED IN THE LUFTHANSA TRANSACTION PROCESSED IN 1954-1955. IN ADDITION TO FRANK-FAHLE, THE BANKER ABS HAD ALSO PLAYED A PART, AND IT WAS HE WHO RECOMMENDED FRANK-FAHLE.

THE CONTRACTS WITH FRANK-FAHLE IN THE LUFTHANSA TRANSACTION HAD STIPULATED AT HIS (PAUL WHITE'S) INITIATIVE THAT A PART (OF THE PAYMENTS) WAS TRANSMITTED TO THE BUSINESS ACCOUNT OF FRANK-FAHLE AND ANOTHER PART TO A FOREIGN ACCOUNT. HE HAD NO PERSONAL KNOWLEDGE OF WHETHER THIS PRINCIPLE HAD ALSO BEEN OBSERVED IN THE F-104 (TRANSACTION) SINCE HE HAD MEANWHILE RETIRED AND HAD ONLY PARTAKEN IN THE INITIAL NEGOTIATIONS. HOWEVER, IT WAS PROBABLE THAT THIS NORMAL METHOD HAD ALSO BEEN APPLIED TO THE F-104 TRANSACTION. AUTHORITIES AT THE HIGHEST LEVEL HAD SHARED IN THE PAYMENTS OF THE
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LUFTHANSA TRANSACTION AND ALSO OF THE F-104 TRANSACTION. ALSO ABS HAD RECEIVED HIS SHARE OVER AND ABOVE THE FINANCING OF THE PURCHASE BY LUFTHANSA. HE DID NOT BELIEVE THAT EVEN ADENAUER RECEIVED (ANY) MONEY, BUT PROBABLY STRAUSS.

SINCE HE LEFT THE COMPANY BEFORE THIS TRANSACTION WAS CONCLUDED HE WAS UNABLE TO FURNISH ANY FURTHER DETAILS

ON THESE POINTS. BUT HE WAS SURE THAT THE LOCKHEED
MANAGEMENT KNEW TO WHOM PAYMENTS WERE MADE. IN PART
THERE HAD BEEN VERBAL DIRECTIONS GIVEN TO FRANK-FAHLE

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INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 5471

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TO WHOM HE SHOULD MAKE PAYMENTS. THESE DIRECTIONS
COULD ONLY BE DETERMINED THROUGH THE BANKS OUTSIDE
OF GERMANY TO WHICH LOCKHEED MADE THE PAYMENTS.

AFTER THESE STATEMENTS WHITE ABRUPTLY DISCONTINUED
THE CONVERSATION. END TEXT.

3. INASMUCH AS THE SUBSTANCE CONFIRMS HAUSER'S STORY
AND IS INDEPENDENTLY SOURCED IT SEEMS IMPORTANT TO TRY
AGAIN WITH WHITE.

4. THE CODE BOOK WHICH WAS FORWARDED TO US WAS OBTAINED
WHEN RATH SEARCHED HAUSER'S HOME FOLLOWING THE DISCOVERY
THAT HAUSER HAD BEEN MAKING PAYMENTS TO AN OFFICIAL
OF THE FMOD. THE INVESTIGATION LATER SHOWED THAT
HAUSER MADE THE PAYMENTS FOR ART WORK. HAUSER IS
UNAWARE THAT HIS PAPERS WERE COPIED DURING THE SEARCH
AND RATH WANTS THE SOURCE OF THE CODE BOOK PROTECTED.

5. HAUSER HAD BEEN INVOLVED IN A SERIES OF ESPIONAGE
MISADVENTURES. IN 1969 HE WAS CHARGED WITH SELLING AN
F-104 RECONNAISSANCE CAMERA TO THE EAST GERMANS FOR
24,000 DM. THE CONTACT WAS ARRANGED THROUGH A WAITER

AT THE EMBASSY CLUB AND THE PURCHASER WAS LATER TRIED
AND CONVICTED AS AN EAST GERMAN SPY.

6. HAUSER HAS, ACCORDING TO GERMAN INTELLIGENCE
MATERIAL, SOLD INFORMATION TO THE ISRAELIS, THE SYRIANS,
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THE BRITISH AND INDIRECTLY TO THE KGB. FRENCH INTELL-
IGENCE TOLD THE GERMANS THAT HAUSER HAD ATTEMPTED TO
SELL HIS INFORMATION TO THE PRESS IN 1966. THE FRENCH
SUGGESTED THAT THE GERMANS ASK BRITISH INTELLIGENCE FOR
THE DETAILS INASMUCH AS THEY KNOW ALL ABOUT IT.
OUR GUESS IS THAT THE BRITISH INTELLIGENCE AGENT IN
QUESTION IS THE PARIS BASED JOURNALIST FOR A LONDON
PAPER WHO HAS BEEN THE SUBJECT OF PAST DISCUSSION.

7. HAUSER'S RECENT STATEMENTS PUBLISHED IN GERMANY DO NOT
SQUARE WITH WHAT HE TOLD US UNDER OATH. WHAT HE TOLD
US IS MUCH LESS OVERBLOWN AND MUCH MORE CAREFUL.

8. RATH SUGGESTS LOCATING GENERAL STEINBACH, CHIEF OF
USMAAG IN GERMANY 1957-58 WHO THEN WENT TO WORK FOR
LOCKHEED. HE MAY KNOW ABOUT F-104.

9. PLEASE SEND US THE NAMES OF THE TWO PEOPLE IN
ENGLAND WHO MAY HAVE INFORMATION ON THE ACTIVITIES
OF LOCKHEED.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARMS, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JAN 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN00193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X4
Errors: N/A
Film Number: D760004-0091
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760184/aaaacwxu.tel
Line Count: 201
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by ElyME>; APPROVED <13 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARMS SALES IN GERMANY
TAGS: MASS, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006